

## Glossary of Budget Related Terms

**Account:** A record of public funds showing receipts, disbursements, and the balance.

**Account Group:** A logical grouping of like accounts within a fund, department or bureau.

**Accounting Basis:** The basis of accounting determines rules for recognition of income, expense, assets, liabilities and equity (cash basis and accrual basis are the most widely known). The City of Norfolk operates on a budgetary basis under which most expenditure liabilities are recognized when incurred and most revenues are recognized when earned and billed. Adjustments from this budgetary basis are done for financial reporting purposes to conform to generally accepted accounting principals (GAAP).

**Appropriation:** An expenditure authorization granted by the City Council to incur obligations for specific purposes. Appropriations are usually limited to amount, purpose and time.

**Approved Budget:** The budget as formally adopted by City Council with legal appropriations for the upcoming fiscal year.

**Assessed Valuation:** The estimated dollar value placed upon real and personal property by the City Real Estate Assessor and Commissioner of the Revenue, respectively, as the basis for levying property taxes. Real property is required to be assessed at full market value. Varying methodologies are used for assessment of defined classes of personal property to ensure uniformity and approximate fair market value.

**Balanced Scorecard:** A measurement tool that challenges teams to think about how they, their customers, partners, and employees would assess their performance from the following perspectives: Financial, Internal Business, Customer, and Learning and Innovation:

- Financial Perspective—(Financial Performance in HPO<sup>1</sup> model) Focuses on the costs or revenues of the service.
- Internal Business Perspective—(Support Systems, Work Processes, Work Management and Control and Quality of Products and Services in HPO model) Focuses on internal processes that deliver products and services.
- Customer Perspective—(Customer “Value” in HPO model) Focuses on how the customer experiences the service.
- Learning and Innovation Perspective—(Support Systems, Work Processes, Work Management and Control) Focuses on the degree the services include learning, innovation, technology, contributing to employee development.

**Benchmarking:** The ongoing search for best practices and processes that produce superior performance when adopted and implemented in one’s organization. Benchmarking is an ongoing outreach activity. The goal of the outreach is identification of the best operating practices and processes that, when carried out, produce superior performance. For the purposes of benchmarking, only that which you can measure exists.

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<sup>1</sup> HPO is an acronym for “High Performance Organization” developed by the Commonwealth Center for High Performance Organizations, Inc.

**Benchmarks:** Measurements used to gauge the City’s efforts, both as a community and as an organizational entity, in accomplishing predefined and measurable desired outcomes that have been developed with participation from decision-makers, management, staff, and customers. Benchmarks require two things: a fixed point and the metrics used (a means to measure). Benchmark selection requires that you first know what it is you wish to improve, and then the metrics that will be used. There are three types of benchmarks: (1) Strategic Benchmarks; (2) Performance Benchmarks; and (3) Process Benchmarks.

**Bond Ratings:** In rating municipalities for the issuance of general obligation debt, credit rating agencies (Standard & Poor’s, Moody’s, Fitch) consider factors that are considered especially relevant to a government’s “capacity and willingness” to repay its debt: (1) the local economic base, including local employment, taxes, and demographics (for example, age, education, income level, and skills of the local population); (2) financial performance and flexibility, including accounting and reporting methods, revenue and expenditure structure and patterns, annual operating and budgetary performance, financial leverage and equity position, budget and financial planning, and contingency financial obligations, such as pension liability funding; (3) debt burden; and (4) administration, including local autonomy and discretion regarding financial affairs, background and experience of key administrative officials, and frequency of elections. Bond ratings<sup>2</sup> impact the interest rate and the cost of debt service in the operating budget.

**Bonds:** A type of security sold to finance capital improvement projects. With “general obligation” bonds, the full faith and credit of the City, through its taxing authority, guarantee the principal and interest payments. The City of Norfolk has issued water and parking revenue bonds for which repayment is pledged from the revenues of those systems.

**Budget:** A financial plan for a specified period of time (fiscal year) that matches all planned revenues and expenditures with various municipal services.

**Budget Message:** A general discussion of the approved budget presented in writing by the City Manager as a part of the approved budget document. The budget message explains principal budget issues against the background of financial experience of recent years and presents recommendations made by the City Manager.

**Budget Review Process:** The evaluation of a budget’s content and purpose to include public hearing and comment, followed by final budget adoption by City Council.

**Capital Improvement Budget:** An annual appropriation that approves spending for capital projects such as buildings, parks, streets, etc. and their financing sources. The Capital Improvement Program (CIP) budget is adopted as a one-year appropriation as part of the five-year CIP that is developed to guide future planning.

**Capital Outlay:** Expenditures that result in the acquisition of, or addition to, fixed assets. Fixed assets generally are purchased from the Equipment appropriation category to facilitate the maintenance of the fixed assets inventory.

**Capital Projects:** Projects for the purchase or construction of capital assets. Typically, a capital project encompasses a purchase of land and/or the construction of a building or facility.

<sup>2</sup> Credit rating labels for Moody’s and Standard & Poor’s for municipal bonds are depicted below:

Rating		
Moody’s	Standard & Poor’s	Description
Aaa	AAA	Best quality; extremely strong capacity to pay principal and interest.
Aa	AA	High quality; very strong capacity to pay principal and interest.
A	A	Upper-medium quality; strong capacity to pay principal and interest.
Baa	BBB	Medium-grade quality; adequate capacity to pay principal and interest.
Ba and lower	BB and lower	Speculative quality; low capacity to pay principal and interest.

**Community Development Fund:** A fund that accounts for federal entitlement funds received under Title I of the Housing and Community Development Act of 1974. These Community Development Block Grant (CDBG) funds support public improvements and redevelopment and conservation activities within targeted neighborhoods and are developed as part of the Annual Consolidated Plan, which also includes HOME Investment Partnership Program and Emergency Shelter Grant Program funds received from the Department of Housing and Urban Development (HUD).

**Comprehensive Annual Financial Report (CAFR):** The official annual financial report of the City. It includes financial statements prepared in conformity with GAAP and is organized into a financial reporting pyramid. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, required supplementary information, extensive introduction material and illustrative information about the City.

**Contingent Fund:** A budgetary account set-aside for use by the City Manager in dealing with emergencies or unforeseen expenditures.

**Constitutional Officers:** Elected officials who head local offices as directed by the Constitution of Virginia. There are five constitutional officers in Norfolk with partial state funding coordinated by the state Compensation Board: the Commissioner of Revenue, the City Treasurer, the Clerk of the Circuit Court, the Commonwealth's Attorney and the Sheriff.

**Consumer Price Index (CPI):** A measure used by the National Bureau of Labor Statistics to indicate the relative rate of inflation as compared to a base standard of 100 in the average of 1982-84 dollar values.

**Critical Success Factors (CSF):** The most important limited number of success factors where the results, if they are satisfactory, will lead to the attainment of a desired outcome, objective, or end. If the results of these CSFs are not adequate, then the department's efforts for the period will be less than desired. CSFs are usually tied to specific results whose completion is carried out by various activities of personnel within the department. They are the linkages between departmental performance and employee performance.

**Customer:** The recipient of a product or service provided by the City. Internal Customers are usually City departments, employees, or officials who receive products or services provided by another City Department. External Customers are usually citizens, neighborhoods, community organizations, businesses, or other public entities that receive products or services provided by a City department.

**Debt Service:** The annual payment of principal and interest on the City's bonded indebtedness.

**Debt Service Fund:** The account used for accumulation of resources required for, and the payment of principal and interest on the current portion of general obligations of the City.

**Deficit:** (1) The excess of an entity's or fund's liabilities over its assets (see Fund Balance). (2) The excess of expenditures or expenses over revenues during a single budget year.

**Department:** A major administrative unit of the City that has overall management responsibility for an operation or a group of related operations within a functional area. Departments, and their subunits, divisions and bureaus, each with more specific responsibilities, are established in the City Code. The budget appropriations are identified by department and by other budget categories.

**Depreciation:** (1) Expiration in the service life of capital assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy or obsolescence. (2) That portion of the cost of a capital asset which is charged as an expense during a particular period for

reporting purposes in proprietary funds (the capital outlay, rather than the periodic depreciation expense, is recorded under the modified accrual basis of budgeting and accounting).

**Desired Outcome:** The desired measurable effects or results from an action or activity undertaken by a department. Desired outcomes are usually measured in terms of efficiency, effectiveness, and service quality. Desired outcomes are the first indicators developed when constructing process benchmarks or budget decision packages. They also represent the key results of the core business functions of the department.

**Effectiveness Measures:** “Doing the right things.” Measures used to determine whether a department or program is achieving its objectives and/or desired outcomes. Sometimes used to describe the level of satisfaction with the services being delivered or the extent to which predetermined goals and objectives have been met by a project or program. Also used to describe the relationship between inputs and desired outcomes, that is, between the amount of resources used and the desired effect or result achieved by a project or program.

**Efficiency Measures:** “Doing things right.” A measure of performance that relates the goods and services provided by a department project or program to the amount of resources used to provide them. Sometimes used to describe the relationship between inputs and outputs; that is, between the amount of resources used and the amount of service provided.

**Encumbrance:** An obligation against budgeted funds in the form of a purchase order, contract, salary commitment or other reservation of available funds.

**Enterprise Funds:** A separate fund used to account for operations that are financed and operated in a manner similar to private business enterprises (hence the term proprietary fund), and where it is the intent that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City of Norfolk’s enterprise funds are the:

Water Utility Fund that accounts for operations of the City-owned water system;

Wastewater Utility Fund to account for the operations of the City-owned wastewater system;  
and

Parking Facilities Fund to account for the operations of the City-owned parking facilities.

**Expenditure:** Where accounts are kept on the accrual or modified accrual basis of accounting, the cost of goods received or services rendered, whether cash payment has been made or not. Where accounts are kept on a cash basis, expenditure is recognized only when the cash payment is made.

**Financial Policy:** The City’s policy in respect to taxes, spending, and debt management as these relate to the provision of City services, programs and capital investment.

**Fiscal Year:** A 12-month period to which the annual operating budget applies. At the end of the period, the City determines its financial position and results of its operations. The City’s fiscal year is July 1 through June 30.

**Fringe Benefits:** Employee benefits, in addition to salary, that may be paid in full or in part by the City or sponsored for employee participation at their individual expense. Some benefits, such as Social Security and Medicare (FICA), unemployment insurance, workers’ compensation, and others are required by law. Other benefits, such as health, dental, life insurance, free parking, and tuition reimbursement are not mandated by law but are offered to employees by the City.

**Full-Time Equivalent (FTE):** A term that expresses the amount of time a position has been budgeted for in terms of the amount of time a permanent, full-time employee normally works a year. Most full-time employees are paid for 2,080 hours a year. A position that has been

budgeted to work less than full-time will work the number of hours which equate to that budgeted FTE amount; for example, a 1/2 FTE budgeted position can work 40 hours a week for six months, or 20 hours a week for one year.

**Fund:** An independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, liabilities, fund balances/retained earnings, and revenues and expenditures/expenses.

**Fund Balances:** In the context of the City's budget discussions, Fund Balance generally refers to the undesignated General Fund Balance this is the accumulated total of all prior years' actual General Fund revenues in excess of expenditures, or "surplus," that has not been appropriated by City Council, and that has not been designated or reserved for other uses. Maintaining a prudent level of undesignated General Fund balance is critical to ensuring that the City is able to cope with financial emergencies and fluctuations in revenue cycles. General Fund balance also provides working capital during temporary periods when expenditures exceed revenues. The undesignated General Fund balance is analogous to the retained earnings of proprietary funds.

**General Fund:** The primary operating fund that accounts for all revenues and expenditures that are not accounted for in specific purpose funds. It finances the regular day-to-day operations of the City with taxes, fees and other revenue sources.

**GFOA:** Government Finance Officers Association. An organization founded to support the advancement of governmental accounting, auditing and financial reporting.

**Goal:** A long-range desirable development attained by time phased objectives and designed to carry out a strategy.

**Grant:** A cash award given by a government to a public agency in a lower level of government or special recipient for a specified purpose. The two major forms of grants are Block and Discretionary or Categorical. Block Grants are awarded primarily to general-purpose governments, are distributed to them according to formulas established in the law, and can be used for any locally determined activities that fall within the functional purpose of the grant as stated in the law. Discretionary or Categorical Grants can only be used for a specific purpose and usually are limited to narrowly defined projects or activities.

**High Performance Organization:** An integrated organizational approach for leading and managing in a changing environment by building consensus of the leadership group both in shared vision of the desired future state and a clarified mission for a department; and gaining support and participation of the people in a department to identify the specific changes that must be made, implementing them, and assessing organizational performance.

**Input:** A measurable action or resource that starts or is part of the beginning of an activity. Usually a request or demand for a product/service and/or the resources available to provide that product/service.

**Insurance:** A contract to pay a premium in return for which the insurer will pay compensation in certain eventualities; e.g., fire, theft, motor accident. The premiums are calculated so that, on average, they are sufficient to pay compensation for the policyholders who will make a claim together with a margin to cover administration cost and profit. In effect, insurance spreads the risk so that the loss by policyholder is compensated at the expense of all those who insure against it.

**Internal Service Funds:** Used for the financing of goods and services supplied to other funds of the City and other governmental units on a cost-reimbursement basis. The individual internal service funds are:

Storehouse Fund that is used by the Purchasing Office to acquire and issue operating departments (such as Public Works, Utilities) materials, parts and supplies that are used in the same form as purchased.

Fleet Management Fund is used to provide operating departments with maintenance, repair and service for the city fleet of vehicles, heavy equipment and miscellaneous machinery.

**Key Business:** A group of related actions and programs carried out to accomplish a goal. A group of related actions and programs which can stand alone or operate independent of other key businesses within a department.

**Key Business Units:** Key Business Units within a department that focus on providing services that best support key processes throughout the City. This drives Key Business Unit employees to make more economical and practical choices regarding their services, and the level of other services they use.

**Legal Debt Margin:** Article VII, Section 10 of the Virginia Constitution states: "No city or town shall issue any bonds or other interest-bearing obligations which, including existing indebtedness, shall at any time exceed ten percent of the assessed valuation of real estate in the city or town subject to taxation, as shown by the last preceding assessment of taxes."

**Liability Insurance:** Protection against risk of financial loss due to a civil wrong that results in property damage or bodily injury.

**Line Item:** A budgetary account representing a specific object of expenditure. Line items are commonly referred to as the budget detail and account for the inputs related to an activity process or service.

**Maintenance:** The act of keeping capital assets in a state of good repair. It includes preventative maintenance, normal periodic repairs, replacement of parts or structural components, and other activities needed to maintain the asset so that it continues to provide normal services and achieve its optimal life.

**Materials Supplies and Repairs:** A budget category that includes expenditures for supplies, contracted services, and equipment maintenance.

**Mission:** A succinct description of the scope and purpose of a City department or other unit. It specifies what the department's business is and what it should be.

**Objective:** Attached to a goal, it describes something to be accomplished in specific, well-defined and measurable terms and is achievable within a specific timeframe.

**Operating Budget:** An annual financial plan of operating expenditures of the General Fund, enterprise funds and internal service funds and the approved means of financing them. The operating budget is the primary tool by which most of the financing, acquisition, spending and service delivery activities of a government are planned and controlled.

**Ordinance:** A formal legislative enactment by the City Council, which has the full force and effect of law within the boundaries of the City.

**Output:** The measurable result of an activity: tangible units that customers receive at the completion of a process.

**Part-Time Position (Permanent):** A position regularly scheduled for no more than 30 hours per week.

**Performance Benchmarks:** Benchmarks that focus on how enterprises (public, private, and nonprofit) compare with each other in terms of products and services. Performance Benchmarking usually focuses on elements of cost, price, technical quality, ancillary product or service features, speed, reliability, and other performance comparisons.

**Personal Services:** Compensation for direct labor of persons in the employment of the city; salaries and wages paid to employees for full-time, part-time, and temporary work, including overtime, shift differential, and similar compensation. The Personal Services account group also includes fringe benefits paid for employees.

**Process:** The measurable transformation of INPUTS (with people, technology, raw materials, methods, and environment) into OUTPUTS.

**Process Benchmarks:** Benchmarks that focus on how similar enterprises compare with each other through the identification and measurement of the most effective operating practices of those enterprises that perform similar work processes to your own. Service Efforts and Accomplishments (SEAs) indicators are a form of process benchmarks.

**Program:** In general, an organized set of services, activities and tasks directed toward a common purpose or goal.

**Proposed Budget:** The budget formally submitted by the City Manager to the City Council for its consideration.

**Proprietary Fund:** A fund that accounts for operations similar to those in the private sector. This includes the enterprise funds and internal service funds. The focus is on determination of net income, financial position and changes in financial position.

**Productivity:** A method of evaluation where a ratio between INPUTS and OUTPUTS is established and measured against a predetermined standard.

**Purchased Services:** Services that are provided to an individual or group of individuals by an enterprise that is under contract with the City.

**Resources:** Factors of production or service in terms of information, people, materials, capital, facilities, and equipment.

**Revenue:** The yield from various sources of income, such as taxes the City collects and receives into the treasury for public use.

**Service:** The on-going sequence of specific tasks and activities that represent a continuous and distinct benefit provided to internal and external customers.

**Service Quality:** Refers to: (1) the manner or technique by which an activity was undertaken, and (2) the achievement of a desirable end result (e.g., when filling a pothole there should be a service quality standard for how long that pothole should stay filled). Considering the difficulty of the activity involved, efficiency and effectiveness should be achieved within the context of a service quality standard. Measuring any one of these without the other two can cause problems in terms of getting an accurate assessment of performance.

**Special Revenue Funds:** Funds used to account for the proceeds of specific financial resources (other than EXPENDABLE TRUSTS or major CAPITAL PROJECTS) requiring separate accounting because of legal or regulatory provisions or administrative action. The individual Special Revenue funds are:

**Storm Water Fund** to account for the operations of the City-owned environmental stormwater management system.

**Grants Fund** to account for the receipt and disbursement of revenue from such sources as federal and state agencies, adjacent municipalities, and city matching funds. Individual grants, which typically have project periods distinct from the City's fiscal year, are appropriated by City Council separately when ready for application approval and are therefore not included in the annual budget.

**Community Development Fund** accounts for all federal entitlement funds from the U.S. Department of Housing and Urban Development (HUD) under Title I of the Housing and Community Development Act of 1974 and for which activities are planned and approved under the annual Consolidated Plan process.

**Strategic Benchmarks:** Strategic targets that serve as a guide to address the short- and long-term challenges of the community (private, public, nonprofit sectors). Strategic benchmarks identify community results, not the efforts. Strategic Benchmarks allow citizens to recognize when progress occurs and provide early warning signals for potential problems.

**Strategic Planning:** The continuous and systematic process whereby guiding members of the City make decisions about its future, develop the necessary procedures and operations to achieve the future, and determine how success will be measured.

**Success:** The attainment of a desired outcome.

**Success Factors:** All of the elements that contribute to the attainment of a desired outcome. Success Factors include all of the requirements (e.g., events, activities, timing, resources, and directives) that are necessary in the attainment of a desired outcome.

**Surplus:** (1) The excess of an entity's or fund's assets over its liabilities (see Fund Balance). (2) The excess of revenues over expenditures or expenses during a single budget year.

**Tax Base:** All forms of wealth under the City's jurisdiction that are taxable.

**Value:** The value of a program, project, or service is usually determined by the social and economic value it offers its customers. The three types of value are: 1) worth of a product or service related to the use to which it can be applied; 2) reflection of the cost of a program, project, or service measured in terms of resources absorbed; and, 3) present worth of future benefits that accrue from a program, project, or service.

**Values:** The underlying beliefs and attitudes that help determine the behavior that individuals within an enterprise will display.

**Vision:** An objective that lies outside the range of planning. It describes an enterprise's most desirable future state, and it declares what the enterprise needs to care about most in order to reach that future state. Lacking a long-term vision, strategic plans can become an end by themselves rather than a means to achieving a positive higher-level purpose. Without the framework of a compelling, informed vision of the desired future state, planning can become a black hole in which the planners develop a plan for every possible scenario that becomes a time-consuming and ineffective process.



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